



-LETTER FROM THE CITY MANAGER-

Dear Mayor, Councilmembers and Residents of the City of Mesa:

This fiscal year, the City of Mesa enters into its second biennial budget process, which addresses fiscal years 2003-2004 and 2004-2005. The biennial budget process positions the City to anticipate and prioritize future financial activities, and allows for more long-term planning.

Each year, the Mesa City Council adopts a budget for the fiscal year, which begins on July 1 and ends on June 30. As with many organizations, Mesa has experienced challenges with its budget development due to the national economic downturn and lower-than-expected revenue collections.

Whether the economic climate is good or bad, the City undergoes a thorough process to plan each year's budget. It is developed based on the priorities expressed by the City Council, resident input throughout the year and the needs of individual City departments.

Although several programs and services were reduced or eliminated, this budget continues to emphasize and fund public safety services, utility services, transportation improvements, and a wide range of parks, recreation and library services. It also contains funding for important capital projects such as the expansion of the Arizona Museum for Youth and construction of the new Mesa Arts Center.

Despite the difficulties of balancing a budget with a significant revenue shortfall, Mesa residents should know that the City of Mesa strives to provide the highest level of service possible. The thousands of employees of the City of Mesa remain committed to ensuring Mesa will continue to be an outstanding community in which all residents can be proud to live.

Sincerely,

Mike Hutchinson
City Manager



**CITY OF
MESA**
*Great People,
Quality Service!*



Mesa City Council

BUDGET IN BRIEF

FY 2003-2004
FY 2004-2005

BUDGET PROCESS

The City of Mesa operates on a two-year budget cycle. As the biennial budget is prepared, expenditure projections are developed based on anticipated levels of staffing, completion of capital projects and the anticipated need to acquire capital equipment. Depending on changes in the economic climate during a fiscal year, the City may experience variations, both positive and negative, in the amount of revenues that are budgeted versus the amount that actually is received. If the City's revenue is lower than expected, the organization makes appropriate adjustments to maintain a balanced budget.

The City Manager submits a Preliminary Budget to the City Council, which is a recommendation for funding current and new programs, and bond sales and expenditures. The Preliminary Budget also includes improvement projects, forecasted revenues, and any adjustment in rates, fees or licenses. The Preliminary Budget is actually a recommendation for funding the City's Operating Budgets of each two-year period along with a Five-Year Capital Improvement Program (CIP).

The City Council then establishes changes to the Preliminary Budget and creates a Tentative Budget, which specifies the maximum amount that can be appropriated on a final basis for one year. At this time in the budget process, residents are invited to participate by attending a public hearing to offer input on the Tentative Budget.

After posting two public notices and a separate public notice for the Five-Year CIP, the City Council holds another public hearing and subsequently adopts the Final Budget. The public hearing is the second and final opportunity residents have to comment on the budget. The Final Budget must be equal to, or less than, the Tentative Budget. The second year's budget will be recommended but not adopted until Council adopts the Final Budget.

BUDGET HIGHLIGHTS

The Mesa City Council approved a \$763,748,000 budget in June for FY 2003-04, which is approximately a 5 percent decrease from last year's budget. The budget includes \$618,231,000 for operations and \$145,517,000 for the scheduled bond improvements. The Recommended Operating Budget for FY 2004-05 is \$597,401,000. The Bond Scheduled Budget is \$122,274,000 for a Total Budget of \$719,675,000. The forecasted ending fund balance for FY 2003-04 is \$35,864,000 and FY 2004-05 is \$40,493,000. Despite a lowered budget, efforts to maintain quality services for Mesa residents continue to be a priority.

Some goals set forth in the 2003-04 budget are:

- Deploy department-wide Records Management System (RMS) in the Police Department prior to July 1, 2004.
- Convert the Police Department to an 800 MHz trunked radio system by July 1, 2004.
- Introduce new technology, such as global positioning systems and automated passenger counters, to improve transit service monitoring and management.
- Expand automated building permitting services.
- Add a new electric substation for additional capacity.
- Relocate Fire Station 201 to Mesa Drive and 1st Street.
- Assist up to 103 eligible families to obtain affordable housing through the Housing Services Division's Escobedo Affordable Housing Program.
- Plan for the operation and programming of the Mesa Arts Center, slated for completion in spring 2005.
- Monitor economic fluctuations and maintain the financial stability of the City.
- While continuing the City's selective hiring freeze as necessary, work to maintain the City's status as an employer of choice through innovative workforce programs, and competitive pay and benefit programs.

APPROPRIATIONS BY PROGRAM

Public Safety	\$180,104,000	29.1%
Building Inspection	\$ 8,517,000	
Code Compliance	\$ 1,906,000	
Environmental Mgt.	\$ 1,300,000	
Fire Prevention	\$ 47,104,000	
Law Enforcement	\$121,277,000	

Utilities	\$132,830,000	21.5%
Electric	\$ 22,905,000	
Gas	\$ 22,452,000	
Storm Sewer	\$ 4,330,000	
Wastewater	\$ 29,659,000	
Water	\$ 53,484,000	

Recreation & Cultural	\$ 96,498,000	15.6%
Aquatics	\$ 3,170,000	
Arts and Cultural	\$ 36,232,000	
Community Aid	\$ 2,036,000	
Golf Course	\$ 2,543,000	
Library	\$ 13,026,000	
Mesa Centennial Center	\$ 4,137,000	
Museum for Youth	\$ 1,427,000	
Neighborhood/Comm. Asst.	\$ 3,674,000	
Parks and Recreation	\$ 27,482,000	
Southwest Museum	\$ 2,771,000	

Transportation	\$ 61,184,000	9.9%
Airport (Falcon Field)	\$ 8,863,000	
Mass Transit	\$ 22,112,000	
Streets	\$ 30,209,000	

Contingencies *	\$ 53,840,000	8.7%
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*Note: Carryover encumbrances are included in the contingency amount.

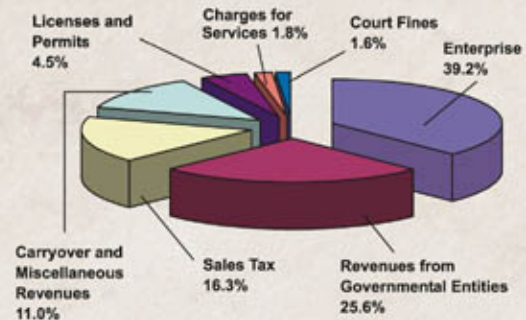
General Government	\$ 49,212,000	8.0%
Building Maintenance	\$ 1,108,000	
Capital Improvement & Ops	\$ 2,280,000	
City Clerk	\$ 1,196,000	
Economic Development	\$ 1,319,000	
Engineering	\$ 2,744,000	
E-Streets&CableTV/License	\$ 1,168,000	
Executive	\$ 1,682,000	
Financial Services	\$ 3,203,000	
General Services	\$ 7,465,000	
Internal & Miscellaneous Svcs.	\$ 886,000	
Judicial	\$ 8,132,000	
Legal	\$ 3,475,000	
Legislative	\$ 1,205,000	
Planning	\$ 3,706,000	
Redevelopment	\$ 5,666,000	
Williams Gateway	\$ 3,977,000	

Community	\$ 44,563,000	7.2%
Cemetery	\$ 933,000	
Community Development	\$ 9,358,000	
Mesa Housing Services	\$ 12,453,000	
Solid Waste Management	\$ 21,819,000	

Total Operating Appropriations	\$618,231,000	100.0%
Bond Capital		
Improvements Scheduled	\$145,517,000	
Total City Appropriations	\$763,748,000	

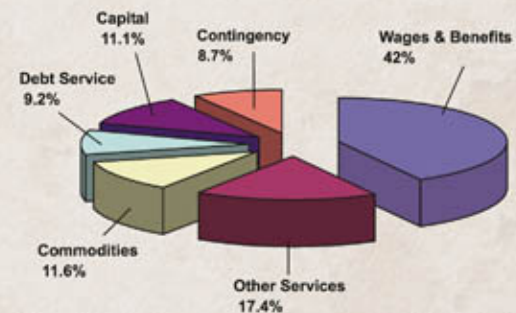
FY 2003-2004

REVENUES BY CATEGORY



Enterprise	\$ 242,145,000
Revenues from Governmental Entities	\$ 158,379,000
Sales Tax	\$ 100,733,000
Carryover and Miscellaneous Revenues	\$ 68,118,000
Licenses and Permits	\$ 27,972,000
Charges for Services	\$ 11,397,000
Court Fines	\$ 9,487,000
Total	\$ 618,231,000

APPROPRIATIONS BY CATEGORY



Wages & Benefits	\$ 259,627,094
Other Services	\$ 107,467,310
Commodities	\$ 71,916,693
Debt Service	\$ 56,702,800
Capital	\$ 68,677,103
Contingency	\$ 53,840,000
Operating Budget	\$ 618,231,000
Bond Fund	\$ 145,517,000
Total Appropriations	\$ 763,748,000

QUALITY OF LIFE PROGRAMS

In 1998, Mesa voters approved a half-cent QUALITY OF LIFE sales tax increase to help provide programs and services to improve Mesa's quality of life. In Fiscal Year 2003-04, the City has budgeted to spend approximately \$55 million on various voter-approved projects.

Some of the 2003-04 projects include:

- Continued construction of the **Mesa Arts Center**, which is scheduled to open in spring 2005.
- Provide funding to operate the expanded **Red Mountain Branch Library**.
- Provide operational funding for the expanded **Arizona Museum for Youth**.
- Provide approximately \$500,000 to fund various after-school and youth programs.
- Provide partial funding for a multi-use path from 8th Street to Lindsay.
- Hire an additional 12 police officers, which brings the total officers funded from the **QUALITY OF LIFE** sales tax increase to 72 positions.
- Complete construction on a \$17 million Transit Maintenance Facility and provide funds to operate the new facility.
- Provide nearly \$4 million in capital funding for the Police and Fire departments, which includes the purchase of 100 new vehicles.
- Continue to fund 52 firefighter positions.
- Provide approximately \$500,000 in funding new bus pullouts and transit shelters.
- Fund the construction of a park & ride lot at U.S. 60 and Power Road.
- Fund approximately \$1 million in transit services.

A full listing of QUALITY OF LIFE projects are provided on the City's Web site: www.cityofmesa.org

Mesa City Council

Mayor

Keno Hawker

Vice Mayor

District 3

Dennis Kavanaugh

Councilmember

District 1

Claudia Walters

Councilmember

District 2

Mike Whalen

Councilmember

District 4

Kyle Jones

Councilmember

District 5

Rex Griswold

Councilmember

District 6

Janie Thom

City Manager

Mike Hutchinson

Deputy City Managers

Debra Dollar

Paul Wenbert

City of Mesa

Budget Division

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Illustrations by BOORA Architects